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City of Bristol

May 19, 2014

BOARD OF FINANCE CHAIRMAN'S BUDGET MESSAGE

TO THE CITY COUNCIL, CITIZENS AND TAXPAYERS OF BRISTOL:

Today we adopt a new budget for the fiscal year 2014-2015. Whereas the State of Connecticut has already adopted a budget, we estimate that the City is will lose approximately \$55 thousand in revenues from the State of Connecticut. Much work is still needed to combat unfunded mandates that currently exist and will be proposed in future sessions.

As we adopt our budget today, May 19, 2014, we also take delight in adding services to the citizens of Bristol and increasing well needed funds for road repairs and fleet maintenance. This budget provides for Full Day Kindergarten making Bristol attractive to young families and professionals looking for a community to join. We are able to bring back Sunday hours to our main library during several months of the year. We have budgeted funds to improve city buildings and appropriate capital to replace aging infrastructure and technology. The Board of Finance, the Mayor, and the Council, while mindful of the taxpayers of Bristol, are asked to approve this budget increase of 1.11 mills.

Breakdown of Increasing Expenditures and Declining Revenues

Expenditures

The Board of Finance had to bridge a gap of \$9.58 million between requests and revenues.

- Requests totaled \$188.4 million from the City side and Board of Education. This is a \$7.7 million increase over the current budget.
- The Board of Education request was originally an increase of \$5.2 million before full day kindergarten and budgeted for an additional \$2.7 million for this program. Through combined efforts and workshops between the BOF and the BOE, this increase was further reduced to \$3,508,488 or 3.36%, with an additional \$1.8 million that was requested to implement full day kindergarten. An increase of \$3.19 million or 3.06% was ultimately approved by the Board of Finance (with support of the BOE), increasing the Minimum Budget Requirement.
- General City requests increased by \$4.2 or 5.52%, however the Board of Finance budget approved an increase of \$2.4 million or 3.25%

Transmittal Letter – (continued)

- The largest City Department increase of \$760 thousand was within the Public Works department for programmed increases in Snow, Fleet and Major Road Improvements.
- The smaller General Government City departments decreased by \$13,715 or - 0.24% adhering to the Mayor's request to come in with budget requests at 0 to 1.5%

Revenue Decline

The City is estimated to lose approximately \$55 thousand in revenues from the State of CT.

Strategies used in balancing the 2014-2015 budget:

- Department Heads were asked to submit a budget between zero and one and one half percent
- Minimal bonding of the Ten Year Capital Improvement Plan
- Continue to develop and implement fiscal policies to keep the City's bond rating strong
- Develop a plan to prioritize Capital spending in a way that spread these costs over time to minimize the tax impact

Budget Highlights

The Grand List increased from \$3.77 billion to \$3.83 billion, with a net gain of \$2,013,833 in tax dollars after adjustments for uncollectibles.

The initial gap between revenues and expenditures was \$9.58 million representing a 2.49 mill increase to the mill rate and a 7.4% budget increase to start the process.

Capital requests within the General Fund were preserved with \$850 thousand funded for Public Works Capital Outlay.

Health Insurance increased 10.8% this year for employee health benefits based on the City's Health Benefits consultant cost projections. However, after the Board of Finance adopted the budget information was received from the City's Health Benefits consultant which resulted in an increase of 3.6%. The Board of Finance budget has been revised and presented to the Joint Board for approval. The proposed Joint Board budget decreased \$1,193,980 due to the savings in health benefits. The proposed Joint Board budget increases 2.48% overall, 2.36% increase on the City side and 2.45% on the Board of Education side.

The reliance on the use of Fund Balance was reduced by \$145 thousand with an attainable near term goal of zero within two to three years, which will help our bond rating.

To recap, the current mill rate is 33.50 mills. The Board of Finance approved budget increases the mill rate by 1.42 to bring the new mill rate to 34.92. However, the Joint Board proposed mill rate increase is only 1.11 (or 3.3%) due to the savings in the health benefits.

Transmittal Letter – (continued)

Summary

Bristol's finances have strong financial management from the Mayor, City Council, Board of Finance, as well as a very dedicated and efficient Comptroller's Office. We also have a very strong reserve which results in favorable ratings by Standard & Poor's for future borrowing. We also have promoted strong economic incentives for business growth to attract more companies to our City which would create jobs and increase our Grand List. In closing, some of the cuts and efficiencies we are trying to achieve will build a stronger foundation for future budgets.

ACKNOWLEDGEMENTS

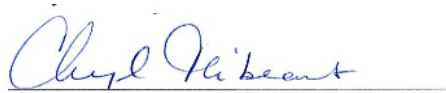
I personally want to recognize every member of this Finance Board for your numerous hours of work on behalf of the citizens of Bristol. Your attendance during evening meetings of public hearings and workshops regarding this budget, in addition to regular meetings shows your enduring voluntary commitment to your City.

I would be remiss on behalf of the Board if I didn't thank our Comptroller, Glenn Klocko, Assistant Comptroller, Robin Manuele, Chief Accountant, David Bernagel, Accountant, Jeanne Doerr, and Assistant to the Comptroller, Jodi McGrane, for guidance and assistance to the Board in this process. Again, many, many thanks.

IN CONCLUSION:

The annual budget process is a dynamic process that provides the City of Bristol with the opportunity and means to review past accomplishments and evaluate goals and objectives for the future. The Mayor, the City Council, and Department Heads came together, as a team, at a number of hearings and workshops to address and meet the challenges of this budget year. We will look forward to the successful implementation of this budget and to the challenges of next year's budgetary process.

Respectfully submitted,



Cheryl Thibeault
Board of Finance Chairman

Comptroller's Budget Message

To the Citizens, Taxpayers, and Businesses of Bristol, Connecticut,

It is my pleasure to present this 2014-2015 budget message and budget document for review. It is the culmination of months of effort on the part of many. Elected officials, people appointed to Boards and Commissions of the City, management and staff employees worked diligently to present this document in its completed format.

This letter provides a concise overview of the City's approved 2014-2015 budget. The budget is balanced for all funds and was approved by the Joint Board of the City Council and Board of Finance on May 19, 2014. The approved budget for all funds is \$204,168,974. The General Fund portion of the budget on which the mill rate is primarily based is \$185,140,615. There is a 1.11 mill rate increase to the current mill rate of 33.50.

The budget process started with a December Mayoral "kick-off" meeting in the Council Chambers with Department Heads. All City officials were invited to attend.

Budget - Early Preparation Stage

Mayor Cockayne expressed to Department Heads at the December kick-off budget meeting his concerns, priorities, and goals for the upcoming budget session. This is the first budget kick-off for newly elected Mayor Cockayne.

The Mayor stressed how the State of Connecticut budget affects the City of Bristol's grants. The City will approve its budget the day following the State budget approval. The Mayor asked that all Departments keep their budget increases in a zero to one and one half percent range. It turned out that almost all departments were able to keep their increases at or very close to the one and one half increase compared to the prior year, in spite of increases in areas such as utilities that are out of direct departmental control.

Surprisingly, Connecticut is in its sixth year of a recessionary economy. There have been some signs of improvement in home sales, but unemployment remains around 7.5% and housing foreclosures are still at out-of-ordinary levels.

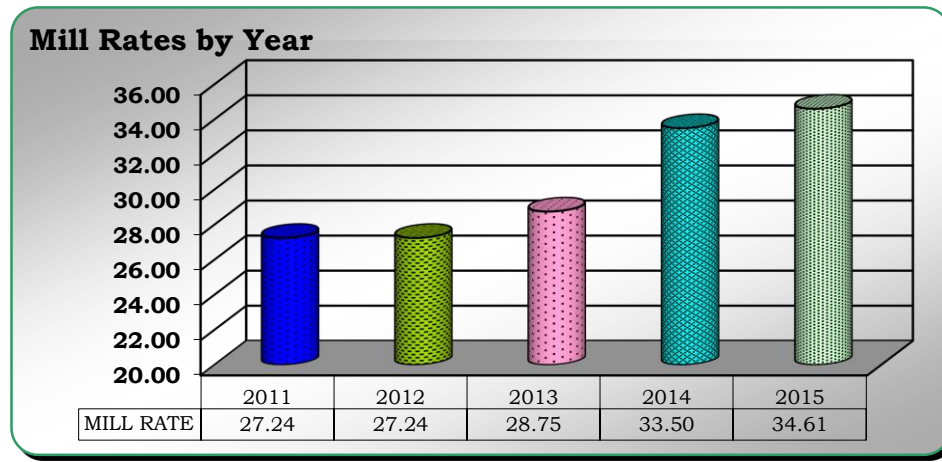
Since capital items within the General Fund were, for the most part, significantly reduced or eliminated in prior years, the Mayor asked the larger Departments to review their capital item needs i.e. trucks, police cars, and maintenance equipment and include them in their budget requests. Capital Outlay requests totaled \$1,492,907 on the City side within the General Fund, excluding Board of Education. Public Works requests of \$850,000 were approved, but the remaining requests were funded within the City's Equipment Building Sinking Fund. The Mayor also indicated the 10-year Capital Improvement Plan (CIP), which incorporates the Capital Budget, will be reviewed for approval along with the operating budget, to gain the total impact of the state of the City's finances. The tab labeled 'Capital Budget Summary' contains the Capital Budget and CIP information for 2014-2015.

Balanced Budget

The fiscal year 2015 operating budget is balanced financially and philosophically. It embraces many tenets that are reviewed in this budget message. It is the desire of this administration, through this budget, to advance the quality of life for residents of the City of Bristol.

Transmittal Letter – (continued)

MAJOR HIGHLIGHTS OF THE 2014-2015 BUDGET



Shown above are the City of Bristol mill rates for the last five budget years

Economic Forecast: Recession Continues

Each year the Economic Forecast is prepared by the City's Purchasing Agent. The forecast is used year-to-year to provide a consistency factor for departments estimating operating costs contained within the various budgets. If actual costs are higher than estimated, budgetary adjustments will be necessary during budget implementation.

State Budget

The final adopted state budget saw State grants decrease in total by \$43,320 for the City. The City's Educational Cost Sharing grant, the largest grant from the State, remained at level funding along with several other State grants. The grant decreases were: Video grant, (\$20,000), Public School Transportation grant (\$75,455) and Non Public School Transportation grant (\$102,385.) However, some State grants increased: State Property \$3,015, Hospital PILOT \$73,660 and the Pequot grant \$5,020.

Mill Rate: Result of Budget Deliberations

The 2013-2014 mill rate was 33.50. The mill rate was increased by 1.11 mills to 34.61. Last year, the mill rate had increased by .60 mills.

Perhaps the most annually debated budget is the Board of Education budget due to their significant proposed increases in fiscal funding. Any increase results in increasing the Minimum Budget Requirement (MBR) as required by State statute. An in depth analysis of fiscal year 2014-2015 funding for Education is discussed on page 16.

Since a majority of City departments came in with increases within the Mayor's guidance of no more the 1.5%, those budgets were approved as presented. It was the feeling of City officials that the departments have operated for years within very financially tight budgets, and as recognition of this year's adherence to Mayoral guidelines, further reductions were unwarranted.

Transmittal Letter – (continued)

On other City operations, the Mayor continued a prior administration policy to freeze most open/vacant employee positions in the existing year and for the upcoming budget year. All overtime is strictly monitored and any significant expenditure of overtime required advance Mayoral approval. Motor fuel usage continues to be closely monitored and prior cost savings and usage measures were implemented, which remain ongoing.

OTHER HIGHLIGHTS

Revenue Sources:

Forecasting

Revenue forecasting involves the use of analytical techniques to produce estimates of the inflow of resources in the future.

Revenues of the City are annually forecasted (estimated) based on revenue type, growth or reduction patterns, underlying historical assumptions, as well as revenue reliability and validity of the estimates. Our forecasting uses a combination of three to five year trend analysis, consensus, and human judgment (as opposed to random guessing) methods. The underlying assumptions for each major source of revenue are identified and documented. The Comptroller's Office works closely with department heads responsible for revenue estimates to identify any changes in local, regional, or national economic conditions, citizen demands, as well as changes in professional associations' guidance relative to revenues, and changes in state and local government programs and policies. Changes in the City's political environment are also considered. All assumptions, when identified, must be reasonable, valid, and current. Obviously, obsolete assumptions due to changing conditions are identified and no longer considered. Most current revenue estimates remained flat at prior year levels for the fiscal 2014-2015 budget estimates. This has been a trend consistent over the past several fiscal years.

Readers may find it an interesting fact that taxes levied and intergovernmental revenues (State & Federal grants) comprise 97% of all 2014-2015 City General Fund estimated revenue sources.

Taxes (71% of all revenues)

The combined current and prior tax levy increased by \$6,920,560 due to the mill rate increase of 1.11 mills and the growth in the grand list. The City of Bristol tax collection rate was 98.75% at June 30, 2013.

Intergovernmental (26% of all revenues)

Cities rely heavily upon intergovernmental revenues (State & Federal grants) to balance their budgets. Bristol is no exception to that fact. The total grant revenue Bristol receives decreased by \$43,320.

Federal Grants

Federal grants have been shrinking over the past several years. Nevertheless, any grant is important to the City. Federal grants are a very small portion of the overall 2014-2015 grant picture of the City at \$5,765 in estimated grant awards. This represents an overall decrease of \$60,000 due to an eliminated Housing Pilot grant.

Transmittal Letter – (continued)

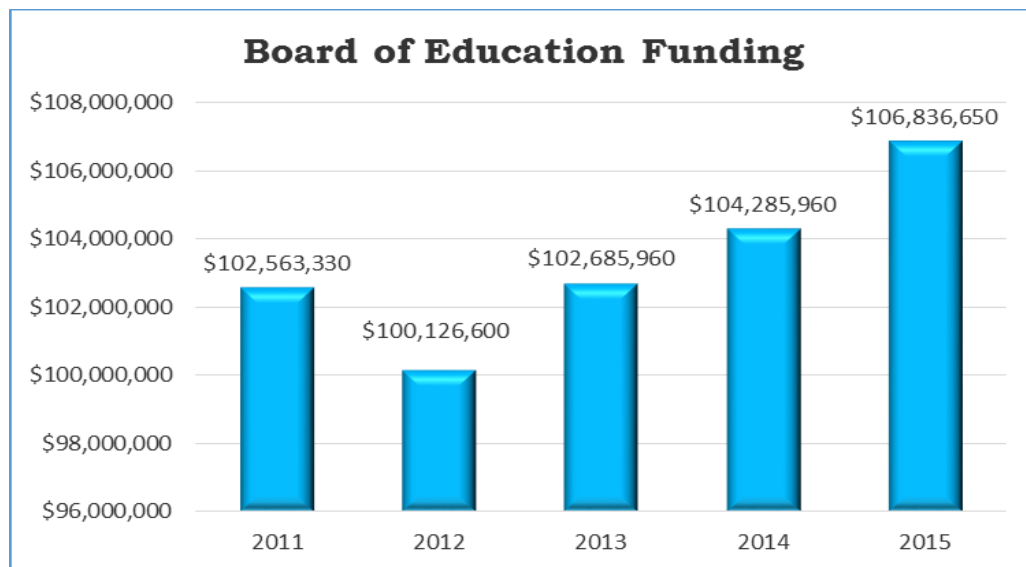
Appropriations (Expenditures):

It is said that budgeting is not an exact science. The structural-balance concept in budgeting seeks to ensure that stable and reliable delivery of public services is the goal of the budget process.

The following factors were significant components within the appropriation side of the budget this year:

- A significant pending State deficit puts a large degree of uncertainty on its effect to Bristol's State grant revenue projections
- The Police Department had a minor increase of .84% due to contractual obligations
- The General Government section decreased by .41%
- The largest increase was realized by the Public Works Department at 6.36% for programmed increases in the Snow Removal, Major Road Improvements and Fleet budget
- All controllable appropriations remained at prior levels
- Use of Fund Balance to balance the operating budget was reduced from \$495,000 to \$350,000
- Funding for education increased \$2,550,690 from \$104,285,960 to \$106,836,650. Below is a graph of Board of Education approved funding levels since fiscal year 2011. This also increases the State's Minimum Budget Requirement (MBR)

Education



Shown above is the Joint Board approved funding for the Board of Education for the last five budget years

Transmittal Letter – (continued)

The 2014-2015 final approved funding level for the Board of Education was certainly financially interesting and varied from past approval processes. This year's funding had several unique components.

First, the Board of Education (BOE) budget was increased by \$1,454,645 which increases the minimum budget requirement (MBR), a state statute that mandates a Board of Education budget, at a minimum, must be funded to at least prior year levels. Any increase to the education budget increases the following year's MBR. Second, the BOE budget was also increased by \$1,096,045 for the implementation of full day kindergarten within the school system. Additionally, at the May 2014 Board of Finance meeting, \$210,000 was appropriated within the City's Equipment Building Sinking Fund (no effect to MBR) for one time fixed asset startup costs for full day kindergarten, a new program. An additional \$100,000 was appropriated as an operating transfer out to the Equipment Building Sinking Fund to establish a means to replace aging BOE infrastructure. This represents a new established financial policy and may be increased annually to assist with infrastructure replacement or refurbishments.

There were two additional sources of Board of Education funding that did not affect the MBR. The first was a State allowed use of up to one percent of fiscal-year end surpluses that the school system would normally return to Fund Balance. Per Connecticut state statute 10-248a, for unexpended education funds, the State allows for the fiscal year ending June 30, 2011 and each fiscal year thereafter, the Board of Finance in each town may deposit into a nonlapsing account any unexpended funds from the prior fiscal year from the budgeted appropriation for education for the town, provided such amount does not exceed one percent of the total budgeted appropriation for education for such prior fiscal year. Funds in the amount of \$1,026,859 or one percent of the Board of Education's 2012-13 budget were available and set aside in the Equipment Building Sinking Fund by formal Board of Finance approval and available for future use. The second source not affecting MBR was \$800,000 of 2011-2012 Board of Education surplus funds at fiscal year-end. Those funds were also set aside for future use.

In summary, the BOE budget is as follows:

Approved budget 2013-2014	\$104,285,960
Increase to MBR	<u>\$ 2,550,690</u>
Approved budget 2014-2015	\$106,836,650

Other Funding Sources- not affecting MBR

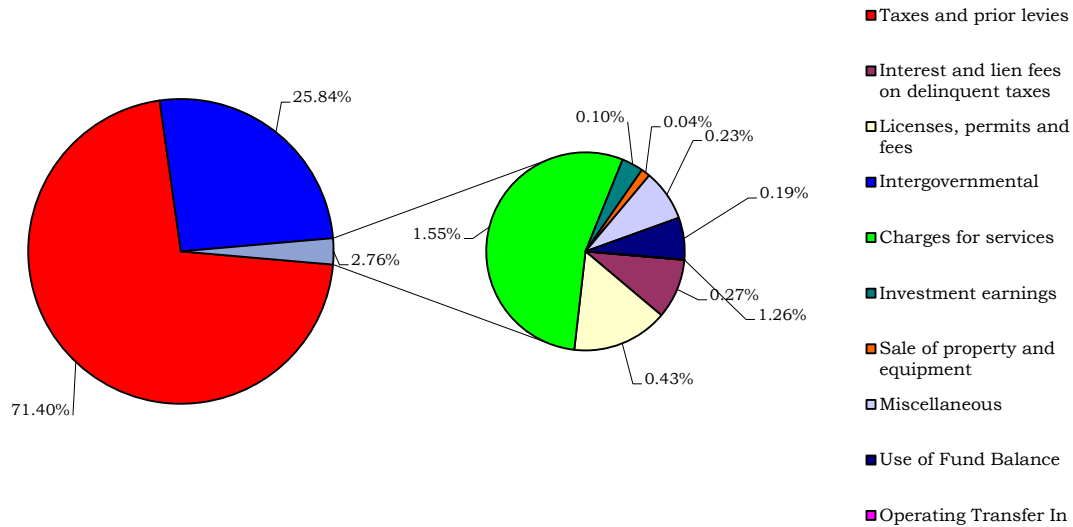
Infrastructure Replacement – 14-15 Budget	\$ 100,000
Full Day Kindergarten Startup	<u>\$ 210,000</u>
Additional Funds Available for Education	\$ 310,000

For further commentary on the Education Department's service efforts, please turn to the 'Board of Education' tab.

Transmittal Letter – (continued)

PROFILES OF THE APPROVED 2015 OPERATING BUDGET BY FUND

GENERAL FUND REVENUE SOURCES



FISCAL IMPACT

OPERATING BUDGET: GENERAL FUND

Even with significant appropriation reductions, the City of Bristol's General Fund continues to support the majority of the City's public services including police, fire, public works, general government, parks & recreation, libraries, debt service, and other miscellaneous items. The 2014-2015 General Fund operating budget reflects an increase of \$4,474,685 or a 2.48% increase over the 2013-2014 General Fund approved budget.

Contingency

Perhaps the most unpredictable yet probably highly favorable budgetary impact account is the General Fund Contingency appropriation. Each fiscal year, City officials "worry" if the funding level will be sufficient to handle emergency expenditures for a bad winter storm year or unforeseen emergencies. A Contingency account provides the first line of defense to any potential use of the City's fund balance levels. The Contingency line received level funding at \$1,000,000.

Transmittal Letter – (continued)**Public Works**

Overall, the Public Works budget had the largest increase of 6.36%. The following funding strategies were adopted by the Board of Finance in 2009-2010 for future snow removal, fleet and road overlay budgets:

Fleet			
Year		Base	\$ 15,000
1	09-10		\$ 15,000
2	10-11		\$ 15,000
3	11-12	\$385,000	\$ 400,000
4	12-13	\$150,000	\$ 550,000
5	13-14	\$150,000	\$ 700,000
6	14-15	\$150,000	\$ 850,000
7	15-16	\$150,000	\$ 1,000,000

Roads			
Year		Base	\$ 935,000
1	09-10		\$ 935,000
2	10-11	\$150,000	\$1,085,000
3	11-12	\$200,000	\$1,285,000
4	12-13	\$250,000	\$1,535,000
5	13-14	\$300,000	\$1,835,000
6	14-15	\$350,000	\$2,185,000
7	15-16	\$400,000	\$2,585,000

Snow Removal			
Year		Base	\$ 779,200
1	09-10		\$ 779,200
2	10-11	\$ 40,000	\$ 819,200
3	11-12	\$ 60,000	\$ 879,200
4	12-13	\$ 80,000	\$ 959,200
5	13-14	\$100,000	\$1,059,200
6	14-15	\$120,000	\$1,179,200

The Board of Finance took two partial “hiccups” on one of the funding strategies. The Snow Removal appropriation was funded at \$1,100,000 rather than \$1,179,200. The Roads and Fleet budgets followed the funded strategies. Roads was funded at \$2,185,000 and the Fleet budget was funded at \$850,000.

THE FUTURE OUTLOOK

Long-Term Goals and Objectives

The City faces the challenge of meeting infrastructure and equipment needs with limited resources.

With its long-term financial goals and objectives in mind, the City develops and prepares a Capital Improvement Program (CIP) that is a forward looking multiyear plan identifying capital projects to be funded during the planning period. The Capital budget represents the first year of the CIP. The CIP and Capital Budget also serve as links to the City’s planning process in other ways. The CIP is developed in concert with the City’s Comprehensive Land Use Plan, its Debt Management strategy, the City’s downtown redevelopment plans, and a multi-year plan to refurbish the City’s parks. It was expanded, several years ago to become a 10-year CIP Plan. Previously it was a 5-year plan.

Transmittal Letter – (continued)

The City and the Board of Education elected/appointed and respective management have agreed to meet on education related funding matters throughout the fiscal year to gain a mutual understanding of financial situations affecting the educational system and the city's ability to pay for proposed increases. This is a new initiative in the interest of mutual cooperation and understanding.

Financial Goals and Objectives

In addition to the formal long-term planning process, City administration from time to time adopts a set of informal long-term goals and policies. Increasing expenses related to snow removal, fleet replacement and road upgrades are on-going financial problems. Presented on the previous page are three informal five to seven year funding policies which increase appropriations for the three aforementioned programs. A discussion will take place next year to decide if expansion of the policies is warranted.

Non-Financial Goals and Objectives

The City is expected to continue its review of programs and services in light of the rising costs of providing a wide variety of services to the community.

BUDGET DOCUMENT

Much of the format and content of this document changes year-to-year. This is due, in part, to changing administrations, changes in local fiscal priorities, changes in State grant funding levels, and certainly economic changes on local, regional and national levels.

In addition, to keep pace with related changes in financial statement requirements, the Government Finance Officers Association (GFOA) Budget Awards Program criteria incorporates annual mandatory changes to the budget document that must be addressed each year by City management and staff and noted on the application for peer review. This is a GFOA Award winning document with regard to the GFOA's criteria. The appropriate changes have been made based on criteria and suggestions from budget award reviewers to match current award standards.

I encourage all City Officials and employees to use this document year-round. This document moves beyond the traditional concept of line item expenditure control, and provides information to managers that can lead to improved program efficiency and effectiveness with its format. Under the criteria established by the GFOA Distinguished Budget Award Program, our document is a staff and citizens' useable policy, objective, and goal-orientated document. It focuses budget decisions on results and outcomes, incorporates a long-term perspective and lastly, we believe it is an easy to read and understand communication device for interested parties.

Transmittal Letter – (continued)

Review and Award Process

After a preliminary screening, eligible budget documents are sent to three independent reviewers, who are members of GFOA's Budget Review Panel. To receive the award, a budget must be judged proficient in all four major award categories as well as all "mandatory" criteria by two of the three reviewers. Those budgets that are rated "outstanding" by all three reviewers in any of four major award categories, receive special recognition. Budgets are categorized by size and assigned to reviewers based on their experience and familiarity with reviewing documents of a similar size. Reviewers operate independently of GFOA officers and staff. The identities of reviewers to whom particular budgets are assigned for review are kept confidential. We believe this budget document will be favorably judged to continue to receive the GFOA's Budget Award on behalf of the City. Every attempt is made by staff to incorporate all past reviewers' suggestions into the current document.

ACKNOWLEDGEMENTS

The annual budget process provides the community with the opportunity and means to review past accomplishments and enunciate collective goals and objectives for the future.

It is with great pleasure that I present this completed and City approved budget to the reader. A conscious effort was made by staff to make it a readable and useable document. Suggestions for improvement are always welcome.

Most City officials believe that once our City budget is approved the process is over for another year. This is far from true. It is actually the start of a 90-day document preparation, criteria review, rewriting, proofing, and finalized cross-checking for accuracy process. With that said, I would be remiss if I did not extend a special thank you to Robin Manuele, Assistant Comptroller, Jeanne Doerr, Accountant, and Jodi McGrane, Assistant to the Comptroller, all from the Comptroller's office, for their seemingly endless efforts in continuing to contribute to producing this GFOA award-winning document on behalf of the citizens, taxpayers, and elected and appointed officials of the City of Bristol.

Respectfully submitted,



Glenn S. Klocko
Comptroller